MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

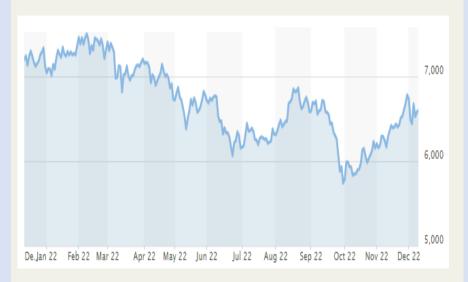
With trading volume drying up as we enter the Christmas season, we expect volatility to be quite high. However, because we are also in a seasonally strong period for equities, we expect the volatility to have

a net upward bias heading into year end.

Note that even with inflation hitting 8%, the PSEi has managed to stay above the 6500 support level. One major reason behind this is the peso's meteoric rise. The peso has appreciated against the US dollar by 5.5% over 5 straight weeks. This comes as the dollar continues to weaken against both major and EM currencies. In the same way that peso weakness caps any increase in stock prices, peso strength will put a floor on any correction. That said, we note that the chart of the Philippine peso is starting to look quite stretched.

On December 14, the Fed will have its last policy meeting for the year. A 50-bps rate hike is widely expected, but investors will be waiting for the policy statement and any changes to the dot plot. So far, markets are expecting a terminal rate of 5% to be reached in 2Q23, followed by rate cuts in 3Q23. Still, the jury is out on the actual magnitude of the recession next year. This is what capital markets will attempt to price in during 1Q23.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The PSEi reversed the previous week's losses as the peso appreciated significantly, albeit on very thin trading volume. Since we are within statistically and seasonally strong period for equities, we will still use dips opportunity buy.